

March 29, 2007



HAND DELIVERED and VIA EMAIL

Stephen J. Farrell Chief Executive Officer

Christopher Koller
Office of the Health Insurance Commissioner
Department of Business Regulation
233 Richmond Street
Providence, RI 02903

UnitedHealthcare
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Re: 2005-2006 Dividends – UHCNE

Dear Commissioner Koller:

I recently became aware that the dividends UnitedHealthcare of New England, Inc. (UHCNE) declared in 2005 and 2006 exceeded the permissible ordinary dividend level under Section 27-35-4 of the RI general laws. I am writing at this time to explain the context in which these dividends were declared as well as to inform you of the company's resolution of this situation.

On January 22, 2004, UHCNE submitted a Form D filing to the Insurance Division which, among other things, sought approval of an extraordinary dividend of \$11,979,119. By letter dated March 4, 2004, Joseph Torti, III, the Associate Director and Superintendent of Insurance, responded that the Division had "determined that our approval is not required." Mr. Torti went on to note that, based on UHCNE's year-end 2003 annual statement, UHCNE "may make cumulative dividend distributions of up to \$16,534,735 (net income) as ordinary dividend distributions." In short, the company was advised that, since the requested dividend of \$11.9 million was less than the prior year's net income, Division approval was not required.

In 2005, the company declared a dividend of \$13,436,132. Because the dividend did not exceed 2004 net income, the company reasonably concluded that, based on Mr. Torti's March 4, 2004 letter, that Division approval was not required, but still gave prior notice to the Division of the proposed dividend by letter dated September 28, 2005.

The same situation occurred in 2006. A dividend of \$17,100,000 was declared, a figure which represented 2005 net income. Again, the company provided prior notice to the Division of the proposed dividend by letter dated September 19, 2006.

We now understand that Mr. Torti's 2004 letter was in error and that ordinary dividends may not exceed the prior year's net income or 10% of surplus, *whichever is less*. Hence, the company's 2005 ordinary dividend should not have exceeded \$8,791,562 (10% of 2004 surplus) and the 2006 ordinary dividend should not have exceeded \$9,118,610 (10% of 2005 surplus).

Christopher Koller
March 29, 2007
Page Two

As a result, the 2005 and 2006 dividends exceeded the permissible ordinary dividend limit by \$12,625,960. This sum has been returned to UHCNE by United HealthCare Services, Inc. effective March 28, 2007 and will be reflected in the company's March 31, 2007 statutory financial statements filed with the Division by May 15, 2007.

Further, while it is reasonable and understandable that we would have relied upon Mr. Torti's, 2004 letter, we know that we are ultimately responsible for full compliance with the holding company act, which is why we are taking this action voluntarily and quickly after we discovered the error. We hope the circumstances and context in which the dividends were declared demonstrate the company's good faith and transparency with the Division.

Please feel free to contact me if you have any questions or if we can provide any further information or documentation with respect to this situation.

Sincerely,

A handwritten signature in black ink, appearing to read 'S. Farrell', with a stylized, cursive script.

Stephen J. Farrell
Chief Executive Officer
UnitedHealthcare of New England